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Corporate America Fights for Bottom Line in Military Budget

By Harold Willens

For many years the "communist menace" was a scare that worked wonders for true believers, like-minded politicians and the military-industrial complex.

Now a new red scare is growing: The fear that red ink will drown the U.S. economy. This second scare—involving the military budget and the federal deficit—is developing sufficient strength to challenge the old menace in terms of national priorities and policies. Pragmatism is gaining ground on dogmatism.

Lee A. Iacocca spoke for many of his peers in the business world when he said: "When you have a deficit of $200 billion and your defense budget is $300 billion, you're keeping the economy going by borrowing money . . . and turning it over to [Defense Secretary] Caspar Weinberger to spend. And that's not productive."

This kind of concern in corporate America is reflected by the creation of Business Executives for National Security, a nonpartisan group involving business people in the effort to stop the nuclear arms race and reverse a costly competition neither the Soviet Union nor the United States can win—but both can lose.

A fresh perception is evolving. Many men and women in business are willing to attend meetings, to discuss the wisdom of defense spending. These are the same sort of people who offered an icy reception to organizations opposing U.S. involvement in Vietnam during the 1960s. It seems that fear of a continuing arms race's effect on the U.S. economy is a major factor in explaining why the nuclear-weapons problem attracts so much more attention from executives, managers and entrepreneurs now than Vietnam did two decades ago.

This is not to say that massive federal budget deficits, inflated by mammoth military expenditures, have caused leaders in business to shrug off concern about communism. But many industrial experts are now willing to consider pragmatic alternatives to a policy of throwing more money and more weapons at the communist threat.

Thomas J. Watson Jr., chairman emeritus of IBM Corp. and former U.S ambassador to the Soviet Union, said as much: "Those who play sandbox games with nuclear weapons are either allowing slick technology to blind them to reality or they still nourish a belief that we can bully or spend the Soviet Union into submission, and failing that, we can fight and win a nuclear war. Intentionally or not, they are leading us toward disaster."

Chief executive officers know that allowing one part of their operations to become a "sacred cow," protected at all costs, can be a prescription for bankruptcy. Such protection undermines the crucial principle of accountability. As one executive, who made a fatal business mistake, ruefully said, "I had so much confidence in the S.O.B. who ran our largest division that I gave him an unlimited budget—and he exceeded it."

That remark describes the way some business executives have begun to view the funding of the federal government's "largest division"—a Pentagon accused "of bad management and gluttony in weapons procurement" by Business Week.

The national debt is increasing by $548 million every day, and about $1 billion goes daily for military-related expenses. Business people are becoming ever more skeptical about the need for additional "strategic arms" expenditures.

It would be inaccurate to suggest that the red-ink scare is wholly responsible for business dismay about the arms race. Business people are well aware of Murphy's Law: If anything can go wrong, it will—and there is always the possibility of triggering a nuclear war by accident. Former CIA Director William E. Colby addresses "the sickening prospect of mutual destruction by machine error." The more weapons there are, the more chance for "machine error."

When an executive looks at the open-ended nuclear arms race as he or she would look at a corporate dilemma, the search for options or possibilities becomes important. Whether talking about companies or countries, there is no such thing as an impossible problem. Functioning effectively in the free marketplace requires objectivity and a willingness to change direction.

People in business can be a crucial factor in encouraging others—including U.S. policy-makers—to correct a mistaken course before time runs out. Business executives, managers and entrepreneurs pride themselves on being hard-headed as well as logical. They realize that nuclear war is bad for business. They understand the ancient Chinese proverb: "If we do not change our direction, we are likely to end up where we are headed."

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